

CHAPTER II FINANCIAL MANAGEMENT

SECTION 1 - GENERAL PROVISIONS

2100 **ADMINISTRATIVE FUNDING**

Within the limitation of funds available for the administration of the Food Distribution Program by the ITOs/State agencies, FNS will provide each ITO/State agency up to 75 percent of the approved administrative costs.

2101 **Allowable Costs**

Federal administrative funds provided for the administration of the Food Distribution Program can only be used for allowable costs that are also necessary and reasonable for the proper and efficient administration of the program. The allowable cost principles for use of Food Stamp Program administrative funds, outlined in Appendix A of 7 CFR Part 277 (Exhibit Y, attached), are generally applicable to the Food Distribution Program.

2102 **Matching Requirement**

ITOs/State agencies must, unless exempt on the basis of compelling justification (see paragraph 2103, below), meet the matching administrative cost requirements of the Food Distribution Program.

The value of services provided by volunteers is allowable to meet the matching administrative cost requirements.

Administrative cost standards and principles for use in determining applicable Food Distribution Program costs are shown in Exhibit H, attached.

Funds received from other Federal sources can not be used to meet the matching requirements, unless specifically allowed by legislation. If the ITO/State agency is claiming another federal grant as a source of matching funds, it must provide the legislative language that allows its use for that purpose. Below are some examples of public laws and associated grant programs whose funds may be used to match other federally funded grants. For each of the grant programs listed below, the respective Catalog of Federal Domestic Assistance (CFDA) number is provided. The CFDA can be accessed on the Internet at <http://12.46.245.173/cfda/cfda.html>.

A. Housing and Community Development Act of 1974 – Public Law. 93-383. Grants provided under this public law by the Department of Housing and Urban Development may be used as payment of the non-Federal share required in connection with Federal grant-in-aid program undertaken as part of the "tribal" Community Development Program. Grant programs include:

1. Indian Community Block Grant Program (CFDA No. 14.862)
2. Community Development Block Grants/State's Program (CFDA No. 14.228)

(2102)**B. Indian Self-Determination and Education Assistance Act of 1975 – Public Law 93-638.**

Funds made available to a tribal organization under grants pursuant to Section 104 of this public law may be used as matching shares for any other Federal grant programs that contribute to the purposes for which grants under this section are made. For example, if a tribe purchased a building with funds available under this law, the value of that building can be used as a matching contribution to the Food Distribution Program. Grant programs include:

1. Aid to Indian Tribal Governments (CFDA No. 15.020)
2. Tribal Self-Governance (CFDA No. 15.022)
3. Services to Indian Children, Elderly, and Families (CFDA No. 15.025)
4. Indian Adult Education (CFDA No. 15.026)

C. Indian Child Welfare Act – Public Law 95-608. Indian Child Welfare Act, Title II Grants (CFDA No. 15.144) may be used for matching other Federal programs.**2103 Compelling Justification**

Any request for FNS approval of administrative funding above 75 percent must be based on the ITO's/State agency's submission of compelling justification that additional funds are necessary for the effective operation of the Food Distribution Program. Compelling justification should include more than an assertion that no other funds are available to operate the program. The justification should include supporting evidence, such as financial documents, and demonstrate to the satisfaction of FNS why the Federal share of funding must be more than 75 percent of approved costs. Supporting financial documents must represent the financial status of the ITO/State agency within the last 2 years, and are limited to the following in accordance with FNS Instruction 716-4, Administrative Budget Negotiation Guidance for the Food Distribution Program on Indian Reservations:

- A. A consolidated Tribal financial statement including all Tribal enterprises;
- B. An audit report prepared by a Certified Public Accountant; and/or
- C. A financial statement from the agency responsible for negotiating indirect cost agreements.

SECTION 2 - FUNDING AND BUDGET PROCEDURES**2200 FUNDING****2210 APPLICATION FOR FUNDS**

ITOs and State agencies requesting administrative funds must submit a completed Standard Form (SF) 424, Application for Federal Assistance (see Exhibit I, attached), to the appropriate FNS Regional Office at least three months prior to October 1 of each Federal fiscal year. All ITOs/State agencies must include their Data Universal Numbering System (DUNS) number, as well as their Internal Revenue Service Employee Identification Number (EIN) on the SF 424. ITOs/State agencies that do not have a DUNS number can obtain one by contacting Dun and Bradstreet by telephone at 1-866-705-5711, or on the Internet at <https://eupdate.dnb.com/requestoptions/government/ccrreg/>.

The application must include budget information that reflects the ITO's/State agency's best estimate of the amount of funding to be spent in the administration of the Food Distribution Program during the upcoming Federal fiscal year. The application must provide a breakdown of funds requested for each cost category, and identify matching funds and the time period for which funds are needed. Funds can not be made available to the ITO or State agency until the application is approved by FNS. Applications for available administrative funds will be ranked for funding by FNS in the following priority: (1) applications from ITOs/State agencies that want to continue to operate a Food Distribution Program; (2) applications from ITOs/State agencies (in the order received) that FNS determines are immediately capable of effectively and efficiently administering the program; and (3) applications from other ITOs/State agencies (in the order received).

1201 2220 BUDGET PROCEDURES

The appropriate FNS Regional Office may request additional information from the ITO/State agency to support or explain the estimated amounts shown for each cost category in the application. FNS will evaluate the budget in relation to the ITO's/State agency's plan of operation and other factors that are relevant to FNS' determination as to whether the estimated costs are reasonable and justified. The ITO/State agency will receive written notification from FNS regarding approval or disapproval of any or all of the itemized costs, the amount of funds to be made available and the period of time the funds are available.

Grantees and subgrantees are permitted to rebudget between direct cost line items in their approved budgets to meet unanticipated requirements, provided that the cumulative transfers of funds among direct cost categories are less than ten percent of the current total approved budget. Changes in excess of ten percent must be approved by FNS.

SECTION 3 - METHODS OF PAYMENT**2300 GENERAL**

FNS will provide funds by means of a letter of credit (LOC). Payments are made through the Automated Standards Application for Payments (ASAP) system operated by the Department of the Treasury Financial Management Service (FMS). ASAP is an on-line web-based system that enables an ITO/State agency to request funds and to obtain such information as its LOC authorization level and the status of requests for funds. FNS establishes an ITO's/State agency's authority to draw funds through ASAP by making appropriate entries in the ITO's/State agency's ASAP account via the Integrated Program Accounting System (IPAS). An ITO/State agency must request payments only at such times and in such amounts as are necessary to pay claims and bills on hand (see paragraph 2323, below).

2310 ESTABLISHING THE LETTER OF CREDIT

When an ITO/State agency commences program operations, FNS must notify the FMS. The FMS will then contact the ITO/State agency to request the necessary documentation; assign the ITO/State agency a recipient/requestor organization identification number; provide logon access to the ASAP web-based system, etc. Access to ASAP will be via the web or voice response. Once these tasks have been completed, the applicable FNS Regional Office will establish the ITO's/State agency's ASAP account and assign it an account identification number.

1202 2320 REQUESTING PAYMENT BY LETTER OF CREDIT

An ITO/State agency requests payment by accessing the ASAP payment request function and entering the necessary data. The ITO/State agency may elect either of two payment methods: FEDWIRE, which provides same day payment, or Automated Clearing House (ACH), which provides payment the next business day. The ASAP payment request function allows the State agency to direct the payment to its depository financial institution (DFI).

2321 Individual and Summary Payment Requests

The ITO/State agency may request a separate payment under each FNS program it administers (an individual payment), or it may request a summary payment covering multiple programs or other account categories. Individual payments may be requested by either FEDWIRE or ACH; summary requests may be requested only by ACH. All funds covered by a summary request must settle to the same DFI and bank account on the same settlement date.

2322 Management Control Over Payment Requests

When an ITO/State agency posts a payment request, the ASAP system validates the keyed information. This entails checking it for format, conformance to balance requirements, etc. If the system detects errors, the ITO/State agency will receive an error message and must edit the field(s) in error. If the system detects no errors, it will accept the posting. The ITO's/State agency's request can not be processed until it has been successfully posted.

2323 Payments by FNS to ITOs/State Agencies

- A. FNS is required by Federal regulations to employ methods and procedures for payments to ITOs/State agencies that minimize the time elapsing between the transfer of funds and the payout of funds by the ITO/State agency for Food Distribution Program purposes (see Department of the Treasury regulations at 31 CFR Part 205, and Department of Agriculture regulations at 7 CFR 3016.21(b); 7 CFR Part 3016 is provided at Exhibit Z).
- B. FNS may make advance payments if the ITO/State agency maintains, or demonstrates the willingness and ability to maintain, procedures to minimize the time elapsing between the transfer of funds and its disbursement of the funds (see 7 CFR 3016.21(c)).

2324 Payments by ITOs/State Agencies to Local Agencies

ITOs/State agencies must follow the requirements of paragraph 2323A, above, in the transfer of administrative funds to local agencies. The ITO/State agency may make advance payments to local agencies if it receives assurances from the local agency that it employs procedures to minimize the time elapsing between the transfer of funds and the disbursement of funds by the local agency. This means that the local agency has incurred the costs, received the bill, approved it for payment, and anticipates immediate disbursement upon receipt of funds from the ITO/State agency.

SECTION 4 - FINANCIAL MANAGEMENT SYSTEM**2400 RESPONSIBILITY FOR MAINTENANCE OF RECORDS**

The ITO/State agency must keep such accounts and records as may be necessary to enable FNS to determine whether there has been compliance with applicable Federal regulations and circulars (e.g., 7 CFR Part 3016; OMB Circular A-87). This requirement embraces all accounts and records pertaining to administrative funds, whether maintained by an ITO/State agency or local agency, such as books of original entry; source documents supporting accounting transactions; the general ledger and subsidiary ledgers; personnel and payroll records; and canceled checks and related documents and records. The importance of adequate time and attendance accounting for full-time, part-time, and intermittent employees is emphasized. (See 7 CFR 3016.20 and 3016.42)

2410 EQUIPMENT AND VEHICLE RECORDS

ITOs/State agencies are responsible for maintaining inventory control records of equipment and vehicles (i.e., tangible, nonexpendable personal property) purchased partially or entirely with funds provided by FNS.

2411 Definition of Equipment

The ITO/State agency may use its own definition of equipment; however, that definition must include all equipment that:

- A. Has an acquisition cost of \$5,000 or more (per unit); and
- B. Has a useful life of more than one year.

Tangible personal property that does not meet the definition above is considered to be **expendable personal property or supplies** (see 7 CFR 3016.1).

2412 Maintenance of Records

Equipment and vehicle records maintained by the ITO/State agency must show for each item or piece of equipment/vehicle purchased (see 7 CFR 3016.32(d)):

- A. A description of the equipment/vehicle;
- B. Acquisition date and cost;
- C. Source of the equipment/vehicle;
- D. Percentage of FNS funds used for acquisition;
- E. Manufacturer's serial number or other identification number;
- F. Location, use, and condition of the equipment/vehicle;
- G. Ultimate disposition data including sales price or method used to determine current fair market value, if applicable; and

(2412)

H. Trade-in value; if applicable.

Each item must remain on the equipment and vehicle record until sold, completely depreciated and rendered unserviceable, or otherwise disposed of. Records for equipment and vehicles acquired in whole or part with FNS funds must be retained for 3 years after final disposition. Microfilm copies, computer backup disks, and tapes may be substituted for original records.

2413 Disposition of Equipment and Vehicles

When equipment and vehicles acquired in whole or part with FNS funds are no longer needed for use in the Food Distribution Program, they must be handled as follows, in accordance with 7 CFR 3016.32(e):

- A. Equipment and vehicles with a fair market value of less than \$5000 may be retained, sold or otherwise disposed of by the ITO/State agency without reimbursement to FNS;
- B. Equipment and vehicles with a fair market value in excess of \$5000 may be retained or sold by the ITO/State agency. If the equipment is sold, the ITO/State agency must reimburse FNS for its share of the proceeds (i.e., the amount of proceeds multiplied by FNS' percentage of participation in the cost of the equipment) minus any selling or handling costs. If the equipment is retained but not used for another federally funded program, the ITO/State agency must reimburse FNS for its share of the fair market value of the equipment. The reimbursement amount must be reported on Form FNS-269 as Program Income (i.e., funds being charged by the ITO/State agency in lieu of a draw from the LOC).

2420 ACCOUNTING FOR FUNDS

Each ITO/State agency that accepts administrative funds must establish and maintain an effective system of fiscal control and accounting. Expenditures of FNS funds are restricted to allowable costs. Invoices, receipts, or similar documentation must be readily available to support such expenditures. This requirement also applies to local agencies. The ITO/State agency must keep records of all funds channeled into the Food Distribution Program whether from Federal, State, local or other sources, so that the total cost of each program can be ascertained. Such accounting procedures must facilitate rapid preparation of reports required by FNS and accurately reflect the receipt, expenditures, and current balance of funds provided by FNS.

Accounting procedures must provide for segregation of costs identifiable to the Food Distribution Program from all other costs. If any other programs (e.g., the Commodity Supplemental Food Program) are operated simultaneously with the Food Distribution Program and are using the same facilities, equipment, or personnel, the costs attributable to the other programs must be identified separately and supported by appropriate cost allocation records.

The ITO/State agency may follow its established financial procedures so long as they provide the means through which full disclosure of financial transactions is achieved and can be verified.

2430 RETURN, REJECTION, AND REALLOCATION OF FUNDS

FNS may require an ITO/State agency to return unobligated funds, or it may reduce the amount of administrative funds awarded to the ITO/State agency when:

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- A. The Food Distribution Program is not administered by the ITO/State agency in accordance with the Plan of Operation approved by FNS or applicable regulations;
- B. The amount of funds provided by FNS is in excess of actual need, based on expenditure reports and current projections of program needs; or
- C. Funding is reduced or not available.

At the close of each fiscal year, the ITO/State agency must return any unobligated funds to FNS within 90 days of September 30, the end of the fiscal year. Obligations incurred must be liquidated within 90 days after the end of the funding period, unless an extension has been granted by the FNS.

If an ITO/State agency terminates its participation in the Food Distribution Program for any reason, the administrative funds that are needed by the ITO/State agency to cover phase out expenses may be retained for the remainder of the fiscal year. The ITO/State agency must maintain proper documentation to show that such funds are used for allowable, necessary, and reasonable program expenses.